

Agenda for Overview Committee and Scrutiny Committee Joint Meeting Tuesday, 9 February 2016; 6.00pm



[Members of the Overview Committee](#)
[Members of the Scrutiny Committee](#)

Venue: Council Chamber, Knowle, Sidmouth, EX10 8HL
[View directions](#)

Contact: Debbie Meakin, 01395 517540 (or group number 01395 517546): Issued 1 February 2016

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- 1 Election of Chairman
- 2 Appointment of Vice Chairman
- 3 [Public speaking](#)
- 4 Confirm the minutes of the meeting of joint committees on 13 January 2016 (pages)
- 5 Apologies
- 6 [Declarations of interest](#)
- 7 [Matters of urgency](#) – none identified
- 8 To agree any items to be dealt with after the public (including press) have been excluded. There are no items that officers recommend should be dealt with in this way.

Matters for Debate

- 9 **Recycling, waste collection and Associated Services contract** (pages)
The Cabinet report for the contract is provided on these agenda papers for consideration prior to Cabinet.

Voting on any proposed recommendations will be conducted separately for each committee.

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[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of a joint meeting of the Overview and Scrutiny Committees held at Knowle, Sidmouth on 13 January 2016

Attendance list at end of document

The meeting started at 9am and ended at 12.33pm.

***15 Election of Chairman**

Councillor Peter Bowden was elected Chairman of the joint meeting.

***16 Appointment of Vice Chairman**

Councillor Roger Giles was appointed Vice Chairman of the joint Committee.

***17 Public speaking**

There were no public speakers.

***18 Declarations of Interest**

Cllr Jill Elson – Min no. 20

Personal interest

Reason: Member of Exmouth and District Community Transport

Cllr Graham Godbeer - Min no. 20

Personal interest

Reason: Chairman of AONB; Member of Axminster Town Council.

Cllr Alan Dent – Minute no. 20

Personal interest

Reason: Member of Exmouth and District Community Transport

Cllr Cherry Nicholas – Min no.20

Personal interest

Reason: Member of Exmouth and District Community Transport

Cllr Peter Bowden – Min no. 20

Personal interest

Reason: Dispensation obtained to discuss flooding issues

Cllr Matt Booth – Min no. 20

Personal interest

Reason: Director Sidmouth Drill Hall Hub Community Interest Company

***19 Exclusion of the public**

RESOLVED:

that the classification given to the documents to be submitted to the Cabinet be confirmed; there were no items which officers recommended should be dealt with in Part B.

20 Draft Revenue and Capital Budgets 2016/17

The Chief Executive and the Strategic Lead for Finance set the scene for the committees, illustrating the presented balanced budget which included a council tax increase of 1.99%. The committees were asked to bear in mind the impact that the future Recycling and Refuse contract would have on the council's finances, in terms of actual savings delivered. With this in mind, the committees were asked to consider alongside the draft budgets, special item bids.

The Housing Revenue Account was also in a good position and would be considered by the Housing Review Board for recommendation to Council.

The following special item bids were presented to the committee, debated and recommended:

1. Exmouth Beach Management Plan at £50k

The plan was already in place and endorsed by the Overview Committee; the bid was clarified as covering improved monitoring of the site and works to help maintain coastal defence assets as a one-off cost for that financial year. There was a mixed response from Members as to the merits of the plan and what work should take priority for the site; overall the bid was recommended by the committees to be included in the budget for 2016/17.

2. Seaton Beach Management Plan at £50k

This bid was to work towards and create a beach management plan, which, when in place, enabled the council to bid for money from DEFRA for works to the beach. The bid would cover the cost of technical advice and research that the council does not have in-house. The Vice Chairman commented on the need to invest in this now in order to bring more funding to the project in the future. The committees agreed to recommend inclusion in the budget.

3. Seaton East of West Walk gabions at £5k

Original gabion baskets had been destroyed in the storms of 2014, and needed replacement to maintain coastal defence and before on starting on the production of the beach management plan. The committees agreed to recommend inclusion in the budget.

4. Trimble GEO 7X asset surveying tool at £8k

The committees agreed to recommend inclusion in the budget.

5. Exmouth Orcombe Point steps at £5k

The committees agreed to recommend inclusion in the budget.

6. Annis's Knob Beer Cliff works at £15k

An outline of the issues at this location was given to the committee. The bid included improved monitoring and installation of arrest fencing part-way up the cliff to help mitigate impact should the cliff collapse. The committees agreed to recommend inclusion in the budget.

7. Sidford Rugby Club rabbit fencing works at £4k

Funding had already been committed against the works required by the rugby club on council owned land. The installation of rabbit proof fencing was considered the most expedient way of dealing with the problem following the success of installation at other grounds. The committees agreed to recommend inclusion in the budget.

8. Recycling and Refuse assuming new scheme roll out to mirror success of trial experience at £172k

This bid would only apply if the new Recycling and Waste Collection contract option chosen matches the trial method recently tested. The committee were reminded of the success of the recent trial at Feniton and the Colony Exmouth, due to a combination of communications, branding, staff in the area of the trials and contribution from the current contractor. The committees agreed to recommend inclusion in the budget.

9. On site building manager at Younghayes Centre at £10k

The site at Cranbrook required an on-site presence outside of normal office hours, both for security of the site and to manage the cleanliness of the building and its facilities. It was hoped that in the future this resource would be funded by the Town Council if they agreed to take that on. The committees agreed to recommend inclusion in the budget.

10. Regeneration & Economic Development – request for 3 additional staff (Development Surveyor, Research & Funding Officer and Senior Economic Development Officer. In addition extension to temporary contracts and additional hours. Also a request for initial budget of £150,000 to buy in additional skills (Total bid £288K).

Whilst there was a strong support for the bid to help progress the economic status of the District, some councillors argued that the total bid figure was high and would impact greatly on the draft budget. The committees were also advised to bear in mind the impact of the new recycling and refuse contract in terms of what may be delivered in savings from that contract, currently only predicted. Advice was given that the committees may wish for further debate on the requirements of the service after that contract was in place and other key financial risks and uncertainties listed in the budget report were more certain.

The committees discussed what other factors influenced the economic status of the district and individual settlements, other than the input from the economic development service. How planning applications for industrial sites were handled was another factor that the Council could examine in order to help facilitate the growth of business. Members discussed phased options to start to bring in additional resource to the service to allow some service improvements to take place, such as the preparation of bids for external funding. Additional discussion could then take place on further enhancing the service once other outcomes, such as the recycling and refuse contract, and the enterprise zone status, were known.

With differing opinions, the committees undertook separate recommendations on this

special item bid.

11. Gov Delivery - multi media messaging system at £9k

Following a suggestion by the Vice Chairman of Overview, the committees agreed to recommend the project be funded from the transformation budget.

12. Implications of National Living Wage – implementation of grade differentials and implications with apprentices at £18k

The proposal was explained to cover some savings at the national minimum wage level but to increase the level at the scale 2 point of the pay scale by one increment to help the differential between that and the lower level. The committees agreed to recommend inclusion in the budget.

13. Additional one FTE recourse in the tree service at £27k

Previous work both in a systems thinking review of the service, and an extensive Task and Finish Forum on the evaluation and protection of trees, had produced a number of policy aspects that now needed implementation. The aspirations of the TaFF, supported by the Cabinet and Council, could not be achieved without additional resource. The committees agreed to recommend inclusion in the budget.

Capital Budget

The Capital budget was outlined to the committees as in a healthy position, with the caveat that the position may shift depending on any change in decision nationally on the new homes bonus.

Service Plans

Questions were put by the committee on some aspects of the draft service plans presented. In respect of the Finance service plans, some performance monitoring indicators were now deemed no longer necessary to report to the Scrutiny Committee because service changes had now been put in place and established over a long period that they were no longer required. The Scrutiny committee retained the right to call to committee any service aspect that they felt needed investigation if required.

An amendment to the period of reporting relating to performance management indicators for the Growth Point service plan was requested, as it was felt that reporting “as required” left the option vulnerable to infrequent reporting. The committees were advised that the work of that team was on a project basis, so specified frequency for reporting was not always relevant, and the team regularly report progress on projects to the Growth Board.

Council Tax level

The committees also discussed the options on increasing the level of Council Tax, anywhere between 0% and the £5 (equivalent to a rise of 4.1%) limit imposed. Concern was expressed on recommending the maximum increase in light of no increase in council tax over the past five years. Any increase in council tax level would not provide “reserves” but enable a smaller draw on the funding from the new homes bonus. Members would be in a position to debate the level further at full Council in February, when the position over a preferred contractor for the recycling and refuse contract would be known.

RECOMMENDED by both the Overview Committee and Scrutiny Committee

1. That the Council increases the Council Tax for 2016/17 by £5 per year (equivalent to 4.1%);
2. That the draft revenue budget be recommended to Council with the following inclusion of special item bids:
 - a. Exmouth Beach Management Plan at £50k
 - b. Seaton Beach Management Plan at £50k
 - c. Seaton East of West Walk gabions at £5k
 - d. Trimble GEO 7X asset surveying tool at £8k
 - e. Exmouth Orcombe Point steps at £5k
 - f. Annis's Knob Beer Cliff works at £15k
 - g. Sidford Rugby Club rabbit fencing works at £4k
 - h. Recycling and Refuse assuming new scheme roll out to mirror success of trial experience at £172k
 - i. On site building manager at Younghayes Centre at £10k
 - j. Implications of National Living Wage – implementation of grade differentials and implications with apprentices at £18k
 - k. Additional one FTE recourse in the tree service at £27k
3. That the special item bid for the Gov Delivery - multi media messaging system at £9k e funded from the transformation budget.
4. That the service plans be recommended to Council with the following amendment with a minor amendment to reporting of two performance indicators within the Growth Point Team service plan;
5. That the draft Capital budget be recommended to Council

RECOMMENDED by the Overview Committee

That the additional post of Research and Funding Officer, at £29,588 per annum plus 25% on cost, be made to the Regeneration and Economic Development service, and the remaining elements of the bid with additional staff and purchase of additional skills for the service be further debated by Cabinet

RECOMMENDED by the Scrutiny Committee

That the proposal of three additional staff and purchase of additional skills for the Regeneration and Economic Development service be debated further by Cabinet

Attendance list

Overview Committee members present:

Peter Bowden
Graham Godbeer
Ian Hall
Rob Longhurst
Peter Faithfull
Matt Booth
John Humphreys

Scrutiny Committee members present:

Roger Giles
Alan Dent
David Chapman
Simon Grundy
Maddy Chapman
Cherry Nicholas
Dean Barrow

Other Members present:

Jill Elson
Tom Wright
John Dyson
Geoff Jung
Ben Ingham
Megan Armstrong
Ian Thomas
Andrew Moulding
Phil Twiss
Paul Diviani
Mike Howe
Pauline Stott
Phil Skinner
Brian Bailey
Helen Parr

Officers present:

Henry Gordon Lennox, Strategic Lead Legal Licensing & Democratic Services and Monitoring Officer
Simon Davey, Strategic Lead Finance
John Golding, Strategic Lead Housing and Environment
Andrew Hancock, Service Lead Streetscene
Karen Jenkins, Strategic Lead Organisational Development and Transformation
Laurelie Gifford, Financial Services Manager
Charlie Plowden, Service Lead Countryside and Leisure
Mark Williams, Chief Executive
Debbie Meakin, Democratic Services Officer

Committee Members apologies:

Overview

Maria Hale
Mike Allen
Christopher Pepper

Scrutiny

Marcus Hartnell
Brenda Taylor

Marianne Rixson
Cathy Gardner
Alison Greenhalgh
Bill Nash
Val Ranger

Chairman Date.....

Report to: Cabinet
Date of Meeting: 10 February 2016
Public Document: Yes
Exemption: None
Review date for release None.



Agenda item: Item 9 for Overview and Scrutiny Committees on 9 February 2016

Subject: Recycling, waste collection and Associated Services contract.

Purpose of report: This report outlines the final stages of the procurement process in respect of our contract for recycling, waste collection and associated services, and invites Cabinet to select a contractor and a service delivery option (Lot) for the next 7+ years.

The report sets out the evaluation of Best and Final Offers, including the evaluation criteria used to score the submissions under a quality/price framework.

The report explains how the trials in Feniton and Exmouth (the Colony) have influenced the recommendations and demonstrated that an enhanced weekly kerbside recycling collection service combined with a three-weekly residual waste collection arrangement is viable for most households.

In conclusion the report makes a recommendation for an award of contract based on the Tender Evaluation Panel's scoring as set out in the report.

Recommendation:

- (1) Based on the evaluation of tenders for the Recycling, Waste Collection and Associated Services contract the Tender Evaluation Panel recommend the appointment of Bidder A to deliver and operate the services specified in the contract and tender documents, and**
- (2) The Tender Evaluation Panel are also recommending that we award the tender on the basis of Lot 3 (enhanced weekly kerbside recycling and a three-weekly residual collection service) for the reasons stated in the report, and**
- (3) Cabinet agree a three month extension to the current contract to enable the contract to commence in July 2016, giving an appropriate mobilisation timeframe, with a corresponding extension of the depot lease, and**
- (4) Delegated authority be given to the Strategic Lead (Housing Health and Environment) and Strategic Lead (Legal, Licensing and Democratic Services) to negotiate and complete the contract and depot lease extensions and also the new waste contract.**

Reason for recommendation: To select a suitable contractor for the collection of recycling, waste and associated services for the period 2016 – 2023, with the possibility of a further three years extension of contract.

Officer: John Golding Strategic Lead – Housing, Health & Environment.

Financial implications:

Finance has been involved throughout the process of this tender and evaluation. External expertise (Capita) was used to determine the most appropriate way of financing the capital needed to deliver the asset requirements of the bids, this being for the Council to finance the capital requirements direct. These capital costs have been included in the evaluation and figures presented in the report. The recommended Lot being proposed in the report does give a saving to the Council in the order of £0.265m along with providing an enhanced recycling service. The draft budget however assumed a saving of £0.400m in line with our Transformation Strategy thereby giving us a shortfall of £0.135m in our budget proposals should members wish to adopt the recommended option. This issue is dealt with the Revenue and Capital Estimates Report 2016/17 contained on this agenda on the assumption that members adopt the recommendation.

Legal implications:

This procurement exercise has been rigorously carried out to ensure compliance with EU procurement requirements. While the Council has made it clear that it is not obliged to accept the lowest tender (i.e. the cheapest) or any tender, we have stated that the contract will be awarded to the bidder who has the best overall score (calculated in accordance with the published evaluation criteria) and so we must adhere to this requirement. Essentially this means that whichever Lot is awarded it must be to the best scoring bidder for that Lot. Ultimately it is for Cabinet to determine which Lot to award but if a particular Lot is chosen then, on the basis of the confirmed scoring outcomes, this must be to Bidder A. The alternative is to decide not to award the contract and tender the contract again. However, given the amount of time, cost and effort that has gone in to the process this is not recommended. More importantly such action would require a significant extension to the existing contract which is highly likely to fall foul of EU procurement requirements and leave us susceptible to challenge. The draft contract is fairly well advanced but further work will be required on this and the Legal department, together with our external lawyers, will ensure that a robust contract is completed if the decision is to award one of the Lots. The legal implications in respect of a three month (as opposed to two month) contract extension are the same as previously advised in 9th September 2015 report.

Equalities impact:

Low Impact

The new contract provides for enhanced kerbside recycling of cardboard and mixed plastics recycling, providing an improved service to all households across the District if one of these Lots is selected. The continuation of the existing contract for a brief period of extension will not impact on householders negatively. The contract maintains a comprehensive assisted collection and bulky waste process for households requiring the service.

Risk:

Medium Risk

The intention to introduce additional recycling services for cardboard and mixed plastics is included within Council service pledges to coincide with a new recycling and waste collection contract in 2016, therefore there may be reputational risk to the authority if an improved service is not introduced. Equally roll out of any new service needs to be carefully mobilised to deliver it effectively to residents. The form of service must be suitable for all service users, to encourage

community participation and high tonnage yields.
We have assumed a level of avoided disposal cost sharing and introduced an arrangement where we capital fund the vehicle fleet, which introduces some new risks to be managed.

Links to background information: •

Link to Council Plan: Living in this outstanding place.

1. Background

- 1.1 I have reported to Cabinet at several stages of our commissioning and procurement journey towards appointing a contractor for the delivery of our recycling and waste collection and associated services contract. The new contract was originally intended to commence in April 2016, but this date was deferred by Cabinet's decision in September and was put back to June 2016 to allow sufficient time to accurately analyse bidders submissions and opportunities for the capital financing of vehicle fleet whilst maintaining the appropriate mobilisation timeframe for the new contract. The new contract will be for a seven year period, plus an opportunity to extend the contract in annual increments for up to three additional years. Associated services in this context includes bulky refuse collections; container delivery and collection; emptying of dog bins and specified litter bins; emptying of Bring Banks; clinical waste collections; and the option for Absorbent Hygiene Products (AHP) collections of nappies and incontinence products.
- 1.2 My report to the 9th September Cabinet meeting updated Members on the procurement timetable and progress with the enhanced recycling trials.
- 1.3 We reported in detail on the evaluation of the recycling trials in Feniton and The Colony, Exmouth on 10th December 2015 to a joint Overview and Scrutiny Committee and on to Cabinet on 6th January 2016, and concluded that the trials had been a complete success, demonstrating that with an enhanced weekly kerbside recycling collection most households can manage with a three-weekly residual waste collection service.
- 1.4 Since my September report to Cabinet we have completed the Invitation to Submit Detailed Solutions (ISDS) stage of the procurement, thereby completing the competitive dialogue with Bidders, and finalised our service requirements just prior to the Best and Final Offer (BAFO) stage.
- 1.5 At the BAFO stage we issued a detailed service specification, including a performance framework and partnership charter; Bills of Quantities; draft Conditions of Contract; draft depot lease; and outlined our intended arrangements for capital financing the fleet of vehicles required for collection services.
- 1.6 At an early stage in the process we published our Tender Evaluation Criteria, which was refined at BAFO stage. As agreed with the Recycling and Refuse Partnership Board as part of the commissioning discussion we set the criteria weighted as 60% Price/40% Quality. The evaluation criteria explains to Bidders exactly how we will assess their tender submissions.
- 1.7 We had initially asked Bidders to price 8 Lots (service delivery options) at ISOS and ISDS. To enable us to get a more accurate solution and better pricing information we reduced this to 4 Lots at BAFO stage concentrating on a service that is:
 - The current service or 'as is' (**Lot 1**);

- The current service 'as is' with the inclusion of weekly kerbside recycling of cardboard and mixed plastics (**Lot 2**);
- The current recycling offer plus kerbside recycling of cardboard and mixed plastics with three-weekly residual collections mainly from 180 litre bins, and a separate Absorbent Hygiene Products (AHP) collection from some households (**Lot 3**);
- The current recycling offer plus kerbside recycling of cardboard and mixed plastics with four-weekly residual collections mainly from 240 litre wheeled bins and a separate AHP collection from some households (**Lot 4**).

1.8 We appointed Bevan Brittan lawyers to draft the service contract, which was sent out to Bidders at BAFO stage to provide an indication of how we expect to see contract conditions framed. There are a number of areas open for conclusion following the award of contract, but the inclusion of the draft contract allowed Bidders to price with some certainty.

1.9 We invited the three Bidders to submit 33 Method Statements describing how they would deliver the services set out in our service specification and draft contract. The Method Statements for the successful Bidder will form part of the contract and a Service Delivery Plan following contract award. The Method Statements cover the following topics:

- Management/organisational structure
- Client/contractor partnership working
- On-going efficiency savings and sharing of revenues
- Environmental and quality management performance
- Equality and diversity
- Client care, authority complaints and rectification
- Corporate health, safety and welfare
- Human Resources
- Collection methodology [including non-standard properties]
- Scheduling and route planning
- Container delivery and returns
- Avoiding/rectifying missed collections
- Litter avoidance
- Dealing with restricted access
- Handling of materials during sorting, bulking and transfer
- Dealing with contamination
- Assisted collections
- Depot operations
- Maintenance of fleet, including collection vehicles and depot equipment
- Marketing of materials, security of outlets and end use
- Mobilisation of resources on contract commencement
- Roll-out of services including during periods of service change
- Service delivery; customer health and safety
- Self monitoring
- Communication
- Data handling and transfer
- Seasonal collection adjustments [for holiday periods such as Christmas]
- Suggested KPI's to measure contract performance
- Business continuity and contingency
- Added value
- Community partnership working
- Information – intention to sub contract work contained within the contract
- Systems thinking flow maps/analysis of main demand processes.

1.10 We have been using the Due North ProContract procurement portal for this EU compliant exercise and posted the BAFO documents on the system on 16th November 2015 for

completion and an initial return dated of 30 November 2015. Tenders were returned on 17th December 2015 after the Council allowed some additional time from the published timetable following an extension request from Bidders. All three submissions were received from the shortlisted Bidders within the deadline. A period of clarification followed where the Evaluation Panel were able to question Bidders on aspects of their bid that were unclear. Since then the officer Tender Evaluation Panel have had a period for clarification, reading and scoring the detailed submissions.

- 1.11 It is worth a reminder that this contract is the Council's highest value contract that is worth circa. £30 million over seven years, and finances a service that touches all residents every week. For this reason and to comply with Contract Standing Orders and EU procurement rules, we have put considerable effort into tender evaluation using strict evaluation criteria, operational experience, and Procurement, Legal and Finance support throughout the process.

2 Tender Evaluation

Bidder analysis

- 2.1 The process of tender evaluation was based on the published evaluation criteria. As previously stated the criteria allowed for an evaluation model based on 60% price and 40% quality. The evaluation criteria published in the Best and Final Offer document has been reproduced in **annex 1** and the Tender Evaluation Panel followed these strictly in order to recommend a preferred Bidder to you. Final quality and price evaluations were overseen by the Council's Monitoring Officer to ensure equity and consistency in the process.
- 2.2 For information, the Bills of Quantities are the pricing template that we required all Bidders to complete. These are complex spreadsheets with pricing of the different Lots split down to show revenue costs, capital costs, one off costs, etc. An annualised cost of service is then used in the final scoring matrix.
- 2.3 At the time of publication of this report the Bidder's price submissions remain confidential, although they will be presented at the Cabinet meeting. So Table 1 (Bidder Analysis) in **annex 2** (provided as Part B papers) shows the annualised price for each Bidder, anonymised following the tender evaluation exercise.
- 2.4 Throughout the evaluation process we had regard to our Systems Thinking purpose – Collect when you say you will, and leave my environment clean, and help me recycle more. Bidders carefully incorporated this high level purpose into their submissions and focused on the things that matter to our customers.
- 2.5 Table 2 below shows the annualised price and quality scores calculated in accordance with the evaluation criteria for each Bidder, and how those combine to give a final score for each Lot.

Table 2

Scoring Analysis			
Scoring marked out of 100% split 40% Method Statements and 60% Financial Submission	Bidder A	Bidder B	Bidder C
LOT 1	%	%	%
Method Statement Scoring	40.00	38.31	35.22
Financial Submission Scoring	60.00	52.26	55.52
Total Score LOT 1	100.00	90.57	90.74
LOT 2	%	%	%
Method Statement Scoring	40.00	38.31	35.22
Financial Submission Scoring	59.82	53.30	60.00
Total Score LOT 2	99.82	91.61	95.22
LOT 3	%	%	%
Method Statement Scoring	40.00	38.31	35.22
Financial Submission Scoring	59.54	48.28	60.00
Total Score LOT 3	99.54	86.59	95.22
LOT 4	%	%	%
Method Statement Scoring	40.00	38.31	35.22
Financial Submission Scoring	60.00	45.70	58.57
Total Score LOT 4	100.00	84.01	93.79

- 2.6 It is clear from Table 2 (Scoring Analysis) that Bidder A has submitted what was judged to be the best quality Method Statements and are the lowest priced Bidder for two of the four Lots, and therefore scored the highest combined quality and price scores. Accordingly Bidder A had the best score for all four Lots, and so if Cabinet is minded to award any of the Lots then it will need to be to Bidder A.
- 2.7 In terms of quality, we received three excellent bids from experienced companies that are market leaders in the sector. All three could provide the service we are seeking, and there were small margins between the scoring as can be seen from the table above. I am grateful for the huge amount of time, effort and professionalism put into written submissions and interviews throughout the procurement process.
- 2.8 The full set of evaluation scores have been saved as part of the evaluation exercise. These show a score against each of the evaluation criteria with the relevant weighting applied to each theme scored. We have a full audit trail of documents showing how we tendered the service and how we evaluated the Bidders submissions at each stage of the process. It should be noted that maximum scores for quality and price are awarded to the

highest scoring tender submission under each heading in accordance with the evaluation criteria.

Lot analysis for Bidder A

Table 3 below gives further analysis on Bidder A's tender for all four Lots. This information is commercially sensitive and confidential. The tables are replicated in full in **annex 2** and will be presented at Cabinet.

Table 3 – Lot prices for Bidder A averaged over 7 years including allowance for capital financing of fleet over 7 years for Refuse Collection vehicles, and 10 years for Recycling vehicles.

Table 3 Bidder A Tender Analysis						
LOT	Preferred Bidder	Annualised Cost £	Affordable Price £	Savings to be found on reduction in Collection Costs £	Estimate on Reduction of Disposal Costs £	Risk of transformation Saving (£400k) not being made
1	Bidder A			183,665		- 183,665
2	Bidder A			284,156		- 284,156
3	Bidder A			205,482	70,000	- 135,482
4	Bidder A			303,640	70,000	- 233,640

- 2.9 The column headed 'Affordable Price' is the 2016/17 estimated cost of service less the £400,000 savings target contained in the Transformation Strategy. Therefore the price of the current service with SITA is £4,438,430. It can be seen that every Lot priced as part of the procurement exercise shows a saving on the 2016/17 estimated price of service, but when the £400,000 savings target is deducted it can be seen in the last column of Table 3 that Lot 3 comes closest to delivering the full savings target.
- 2.10 In Table 3 we have factored into Lots 3 & 4 an assumption on avoided disposal cost sharing/savings, which is explained in section 5 of this report.
- 2.11 Table 3 also shows the revenue costs of each of Bidder A's Lots with the allowance for capital financing of the vehicles and equipment split across 10 years where this is appropriate to the asset life (the recycling fleet) and seven years (the refuse/residual waste fleet).
- 2.12 I would suggest that Lots 1 does not drive the service forward as the other options do, would not fulfil our council promise 'to expand the recyclable materials we collect including cardboard and mixed plastics' (which was put in place because of consistent Viewpoint feedback requesting this) and does not deliver enhanced recycling. Lot 2 retaining the two-weekly residual collection arrangement is the most expensive, and does not incentivise enhanced recycling. So whilst more recycling options will be delivered participation rates are unlikely to be as high as Lots 3 and 4. Lot 4 is radical and requires the provision of a larger residual bin, making it a relatively expensive option.
- 2.13 We have completed the final due diligence work on the pricing and the quality evaluation did include a detailed assessment of the associated services elements of the contract that were covered in several of the Method Statements.

3 Using evidence from the enhanced recycling trials to inform Lot selection

- 3.1 Since September 2015 we have been running trials of an enhanced recycling kerbside collection service combined with a three-weekly residual waste collection service. We undertook a detailed evaluation in December and reported the results to a joint Overview and Scrutiny Committee and Cabinet in January.
- 3.2 The analysis demonstrated that residents in the trial areas of Feniton and the Colony, Exmouth dramatically increased the waste going for recycling and reduced waste going to incineration. Recycling rates rose to 56% overall and residual waste reduced by 19% from 7.9 tonnes per week prior to the trial to 6.4 tonnes per week during the trial.
- 3.3 Given the success of the trials there is a compelling case to consider Lot 3 as a viable alternative to the current system of recycling and refuse collections.
- 3.4 Unsurprisingly the pricing/scoring of this service delivery option (Lot 3) is financially attractive. It is the cheapest option (with avoided disposal cost assumptions factored in), but we know that our residents desire the ability to recycle cardboard and mixed plastics from the kerbside together with the existing range of recyclate collected. Lot 3 allows us to deliver this and will enable us to achieve the EU target of 50% recycling by 2020. If this Lot is selected as the preferred service delivery model it will achieve an estimated £264,518 towards the savings target as well as an improved service to residents.
- 3.5 There are a series of risks in rolling out this service option across the district, from a reputational and operational perspective. It is still an innovative approach, but we have mitigated some of the risks by extensive trials. Careful service transition and phasing will be required if this method of collection is preferred. We have found that excellent communications, IT support, additional staffing 'on the ground', an experienced contractor partner, community champions, a 'one council' effort, all contribute towards an effective new service roll out. We have built a provisional budget into the 2016/17 revenue budgets of £172,000 to finance a new service roll out programme, if Lot 3 or 4 is selected.
- 3.6 In relation to income from sales of recycling, as members are aware, recycling markets have been volatile for the past few years as part of the world-wide recession and are lower currently than the peak prices of the past. Expected income levels from recycling sales via the new contract reflect the current trend.

4. Financing the vehicle fleet

- 4.1 We have taken advice on providing the capital financing of the contractor's vehicle fleet requirements and advised Bidders that this is our preferred approach, with leasing of vehicles to the contractor who will be responsible for their operation and maintenance.
- 4.2 There are savings to be achieved through the Council financing the vehicle fleet through reserves or favourable borrowing rates over the bidders purchasing the fleet and recovering its financing costs through the contract.
- 4.3 The contract allows Bidders to specify their vehicle requirements, which differ according to the different Lots and routing arrangements.
- 4.4 There will be a significant lead in time for the ordering and delivery of specialised refuse collection and recycling vehicles, which will allow us time to carefully plan the service roll out across the district.
- 4.5 All Bidders were required to provide vehicle maintenance facilities.

5. Avoided Disposal Costs.

- 5.1 Avoided Disposal Cost is a phrase used to describe the value (savings) achieved through the diversion of waste for disposal (incineration or landfill) to reprocessing (recycling, composting etc). It is a tool to show the comparison of the costs of disposal against the costs of diversion, which is typically a cheaper option, and with the potential of an income stream for the recycling material.
- 5.2 The principle we are trying to agree with DCC is changes made to the collection service by the Waste Collection Authority (WCA)(EDDC and Devon districts), typically requiring investment in the service (fleet, receptacles, promotion etc) will lead to less residual waste for the Waste Disposal Authority (WDA)(DCC) to pay for disposal costs via incineration or landfill. Therefore, the saving should be shared between the WCA and WDA.
- 5.3 The principle of sharing avoided disposal costs is recognised and the issue now is to agree a sharing mechanism that all Devon districts can support. Other Devon collection authorities have already made less radical changes to their collection arrangements than we are proposing and are seeking a share of the avoided disposal costs. Having run trials in Feniton and the Colony, Exmouth we are on the verge of putting considerable effort into enhancing recycling and reducing residual collections, and the associated risks that brings (reputation and financial), which will result in less waste going to disposal. This will have the effect of reducing disposal costs for the County, and we feel that we should share those savings.
- 5.4 DCC want to establish a baseline figure for the tonnage of residual waste going to the Energy from Waste plant (incinerator) or landfill, which attracts an additional tax per tonne of waste, in order to accurately determine the amount of waste diverted. We do not know the amount DCC pay as a cost per tonne for disposal (they have been unwilling to divulge this information), but in our view the amount saved will represent the amount to be shared. We do know that Landfill Tax in 2015/16 was £82.60 per tonne and will rise to £84.40 per tonne in April 2016.
- 5.5 DCC initially suggested a sharing formula of 50% for three years, or a 50% sharing in year one with reducing amounts over the subsequent two years.
- 5.6 The districts want a sharing mechanism over a longer period and ten years has been suggested. There is an argument for sharing in perpetuity to incentivise further innovation and investment in recycling and reuse.
- 5.7 If we know the price paid by DCC for disposal we can then determine the amount of waste being diverted through our enhanced recycling plans, and then apply the cost sharing mechanism to estimate the savings potential. DCC have not progressed negotiations at a pace matching our procurement so of necessity we have assumed an annual saving of £70,000 per annum, which officers feel is a reasonable estimate based on the tonnages diverted from disposal during the trials in The Colony, Exmouth and in Feniton and an extrapolation of the difference between DCC's likely disposal (landfill or incineration) and recycling/diversion costs. There is a risk that this figure could be smaller as it is still subject to a DCC decision, and is based on speculative estimates of likely tonnages diverted from disposal in selecting Lot 3 compared to disposal costs (we don't have firm figures for either of these variables).

6. Ancillary matters

- 6.1 At the Cabinet meeting on 9th September 2015 you approved a two month extension to the existing Refuse and Recycling contract. This extension was to allow for the completion of the E.U. compliant procurement exercise, where our timetable had slipped due to the complexity of the competitive dialogue process, the size of the submissions received at the Invitation to Submit Outline/Detailed Solutions (ISOS/ISDS) stages, the need to accurately analyse the potential of providing capital finance for assets and to provide Bidders with adequate time to complete the Best and Final Offer (BAFO) stage; whilst maintaining the appropriate time for mobilisation with the successful bidder.
- 6.2 Our existing contractor SITA has agreed to a short contract extension on existing terms, but during negotiations we considered the disadvantages of introducing and mobilising a new contract at the beginning of June so close to the May Spring bank holiday. Mobilisation of a new contract of this nature can be very disruptive to our residents and any additional complication like taking over following a bank holiday where collections are one day later than normal should be avoided.
- 6.3 A contract extension agreement has been drafted by our lawyers Bevan Brittan (who were appointed to draft the new contract terms and conditions), and agreed with our current contractor to include a three month extension.
- 6.4 Given the need for the extension to ensure continuity of service and to avoid any potential risk of hiatus in service and reputational issues, securing the three month extension (rather than two) is seen as important.
- 6.5 There is also a need to agree a lease extension for use of the Greendale Depot site to coincide with the period of contract extension. For clarity, any related property matters for the new contract will be dealt with under officer and Portfolio Holder delegated powers, unless it is necessary to report to Cabinet.

7. Conclusions

- 7.1 The procurement exercise has provided a clear winner for all four Lots in terms of the combined price and quality criteria we set at the beginning of the exercise, being Bidder A and as such they are the preferred bidder.
- 7.2 Bidder A's prices are approximately 7% below the current contract price for an improved service.
- 7.3 Following the successful recycling trials I am recommending this service delivery option (Lot 3), it is cheaper, environmentally preferable, meets resident's aspirations for better recycling, and will enable us to achieve higher recycling targets. Accordingly it is recommended that Lot 3 is the basis for the contract award.
- 7.4 Aside from the enhanced recycling the preferred Bidder also offers a range of service improvements from more sophisticated in-cab technology and integration with our Customer Service Centre and customers, through to route optimisation, on-board 360 degree cameras. The new technology side of a modern collection service includes in-cab tablets with full collection round information, including assisted collections that make it harder to 'miss collections'.
- 7.5 The preferred Bidder also allowed for a Recycling Officer to be appointed by them, assistance to community groups, recycling of Tetrapacks, and income from trade refuse

collections, together with an offer to provide office space for council Recycling and Waste staff within the depot at Greendale. The contractor staff will be inducted and trained to signal to all concerned that this is the start of a new contract. Our own Recycling and Waste team, together with officers from the Customer Service Centre and STRATA will also have training provided to ensure that all fully understand the new contract. Further details of the benefits can be provided at the Cabinet meeting ,if requested.

- 7.6 Assuming Lot 3 is chosen a careful mobilisation and service roll out will need to be planned. We will work with the successful Bidder to develop their Mobilisation Plan, including ordering of the new vehicles with increased recycling capacity.
- 7.7 The next steps will be the award of contract stage, a statutory standstill period, agreement over the final contract terms and conditions, and an intense period of contract mobilisation.

Evaluation Criteria and Scoring.

Please see below for the evaluation criteria to be used for the procurement of this contract.

Assessment of submissions

Submissions will be adjudged on the following basis:

60% - Price; 40% - Quality

The Competitive Dialogue process will consist of 4 stages, as follows:

Stage 1- Invitation to Submit Outline Solution [ISOS] – completed.

Stage 2 – ISOS Dialogue – completed.

Stage 3 – Invitation to Submit Detailed Solution [ISDS] and dialogue - completed

Stage 4 – Best and Final Offer [BAFO] – current stage

Organisations are invited to submit a Best and Final Offer (BAFO) consisting of the ISDS proposals together with further amendments required as a consequence of matters raised by the council during or after Stage 3. It should be noted that no further dialogue will be entered into once the BAFO has been submitted. The BAFO is to be submitted with a final detailed pricing document based on the Bill of Quantities provided with the BAFO documents.

Evaluation

The Council will evaluate the BAFO and allocate a score ranging from 0 to 10, for each criterion. Please see the criteria and weightings listed below.

Criteria & Weightings

A] Quality criteria	% available
1. Service requirements	30%
2. Mobilisation, contingency & expiry plans	15%
3. Health Safety and Welfare	20%
4. Service management	20%
5. Added value	15%
TOTAL	100%

An Evaluation Panel consisting of officers of the Council, each having relevant expertise, will carry out the evaluation. Scores will subsequently be collated to establish the scores of the Bidders.

While the Evaluation Panel has assessed the information provided in submissions at each stage of the competitive dialogue and awarded marks for each of the criteria, **the scores from BAFO submissions alone are used to adjudge the contract award.**

The bid marking Evaluation Panel will award marks against each criterion in the BAFO submissions as follows:

Marking Scheme for Quality Criteria to be used by the Evaluation Panel	Marking range
<i>Excellent response that adds extensive additional value to the stated requirement and / or provides an innovative and very attractive offering</i>	9 to 10
<i>High Standard response that fully meets the stated requirement with good added value</i>	7 to 8
<i>Good standard that meets the stated requirement</i>	5 to 6
<i>Acceptable, with some reservations about the bid submission against the requirement</i>	3 to 4
<i>Partially meets the requirement, but with major reservations about the response</i>	1 to 2
<i>Does not address or meet the requirement</i>	0

The process used for the **Quality** evaluation will be:

- The Evaluation Panel's scores are collated.
- The highest [best] Bidders score is established.
- Remaining Bidders scores are calculated as a percentage of the highest score.

- The total score will then have the quality ratio applied [40%] which will establish the overall quality score.

The process for the **price** evaluation will be similar to that of the quality:

- The lowest [least expensive] Bidders price is recorded.
- The remaining Bidders scores are calculated as a percentage of the lowest price, in accordance with the CIPFA model.
- This score will then have the price ratio applied [60%] which will establish the overall price score.
- The lowest [least expensive] Bidders price for the total 7 year Net expenditure (contract price) is recorded.

The overall price and quality scores are combined to provide the final price score upon which the award of contract will be made. The Contract will be awarded on the basis of the highest points scoring tender. Please note that the Council is not obliged to accept the lowest price or any tender.

Bidders should be aware that the above information is provided to give a better understanding of the evaluation process.

Further information on the Quality Criteria

1. Service requirements [30%]

Assessment of the service to be provided which will best meet the Council's requirements overall, including but not limited to:

- The quality and delivery of proposals for recycling, food waste and residual waste kerbside collection service: associated services including clinical waste collections, bulky waste collections, servicing of recycling banks, servicing of litter bins and dog waste bins.
- The use of technology to make the service efficient, including in-cab and collection round routing and reporting of performance.
- Increased recycling performance and reduction to levels of residual waste and how this will be achieved together with anticipated levels of performance following introduction of the new contract and how this will be promoted.
- Method of operation of the service, including collection frequency, routing and working arrangements, recycling container proposals and details of the type of fleet to be used to carry out the operation plus details of the proposed nappy waste/AHP collection service.
- The extent to which the Contractor will meet the Council's service purpose for recycling and waste, taking account of what matters to the customer and Systems Thinking principles.
- Quality and coverage of Method Statements ensuring that they provide a comprehensive and coherent Service Delivery Plan, and meet our Service Specification.
- The management and promotion of the service , including all kerbside collections, clinical waste collections, bulky waste collections and servicing of recycling banks, litter bins and dog waste bins.
- The management and control of the depot, including vehicle movements of external contractors.
- The arrangements for 'pull-back' of services following bank holidays (especially Christmas and New Year) to minimise impact on the customer.
- Procedures for management of and minimising contaminated wastes.

- Procedures for regularly reviewing the above and reporting updates to the Council. The strength of the communication strategy with the Council and customers, as well as complaint handling procedures.

2. Mobilisation, contingency and expiry plans [15%]

Scores will be awarded having regard to service resilience and being able to maintain service delivery and on the quality of:

- A Mobilisation Plan (including commencement of any new service delivery methods – be that phased or ‘big bang’).
- A Contingency Plan.
- A Business Continuity Plan.
- An Expiry Plan.
- Details for regular review of the above and reporting of updates to the Council.
- Approach to growth in the number of properties (particularly Cranbrook) and the routing of vehicles to achieve minimal disruption for existing customers.

3. Health Safety and Welfare [20%]

Scores will be awarded having regard to the Bidders Health and Safety record and whether there is a genuine organisational commitment to health and safety, how health and safety and welfare risks are assessed and managed and taking into account:

- How the contractor intends to meet health and safety requirements of the contract
- The Health, Safety and Welfare Plan (which should include for the safe use of our depot and vehicle fleet).
- The proposed management systems (including how robust those systems appear and how they support a desire for continuous improvement).
- Monitoring and reporting systems.
- Whether there will be regular reviews of the above and reporting updates to the Council.

4. Service management [20%]

Scores will be awarded having regard to the extent to which:

- A Bidder’s supervision and management proposals support delivery of the service specification, direct continuous improvement and protect reputations, and
- There is a robust arrangement for performance monitoring and working in partnership with the Council to achieve the service purpose.

The above shall take into account:

- A Service Delivery Plan, including use of Quality Management systems.
- Monitoring and reporting systems for the performance of the service.
- The Bidder’s commitment to ‘Systems Thinking’ principles and embedding of those principles in their organisation.
- How Bidders ensure that they are addressing what matters to our customers and achieving ‘right first time’ principles.

- Effective proposals for the integration of frontline service delivery with the 'back office' and transfer of real-time data.
- How Bidders propose to minimise their environmental impacts.
- How Bidders will regularly review the above and report updates to the Council.

5. Added value [15%]

Scores will be awarded having regard to any:

- Additional value the Bidder could bring to the service, including (for example) introduction of a reward scheme, involvement of the Third Sector, additional income streams (from services outside the core service specification) together with any other initiatives the Bidder wishes to suggest following dialogue.
- Innovative ideas demonstrating what the Bidder can do over and above the core service specification and that contributes towards our outstanding Council ambition.
- Commitment to education and promotion of recycling and reuse schemes.
- Support for the voluntary and community groups' contribution towards waste minimization. and reuse, including strengthening and expanding green waste collection systems.